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# *The* MANAGEMENT REVIEW

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# *The* MANAGEMENT REVIEW

May, 1930

## The Census of Manufactures and Distribution \*

By ROBERT J. MCFALL, *Chief Statistician for Distribution,  
Bureau of the Census, Department of Commerce*

THE national bookkeeping system which has been applied to production for many years is being improved in this present decennial census and is being extended to cover the facilities which market, or distribute, the products.

During the past decade the demand has been growing to extend the scope of the census to include distribution as well as production. The production operations of agriculture, manufactures and mining have been covered by the census for many decades. The results in greater fundamental understanding of these operations and consequent increased efficiency have been so great that the frequency of the periods of national accounting has been increased. Increase of scope within the field of production and the extension of the census to distribution have also been insisted upon and have led to new developments in the decennial census, the field work for which has just been started.

These new developments involve the inclusion of the operations of every retailer, wholesaler, and other distributor in the scope of the census; the revision and improvement of the plans for the census of manufactures and mines, including therein the distribution operations of these establishments; and the extension of the scope of the census to include the operations of all establishments engaged in the repair or servicing of automobiles and automobile accessories in general, all hotels having twenty-five rooms or more, and all construction contractors doing a business of \$25,000 a year or more.

The plans for the new census of distribution and the revised plans for the census of manufactures have been laid in careful consultation with some

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The object of the publications of the American Management Association is to place before the members ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

of the ablest business leaders in the country. The program of the manufactures census being taken this year has been thoroughly revised by a committee of business men appointed by the Secretary of Commerce for this purpose. Another committee of business leaders has advised regarding the development of the plans for the census of distribution. Very many other business leaders have been consulted in developing these plans. While it has, of course, been impossible to follow all advice on account of its conflicting nature, yet we feel that we have arrived at results which fairly express the balanced judgment of American business men.

The new developments in the census will give information regarding industrial marketing, which has never before been available, and will amplify certain other valuable information which has heretofore been available in less elaborate form.

The outstanding feature in the elaboration of information, which has previously been gathered to a limited degree, is the collection of data on the utilization of the principal materials by the leading industries. For many years, the census of manufactures has given some information regarding the utilization of raw materials. During recent years the information of this character, which has been collected, has not been so intensive as that which was collected at certain times in the past. In view of the great demand today for as comprehensive information as possible regarding the marketing and utilization of products, it was resolved to build up this class of information to as extensive proportions as practicable for this forthcoming census.

Unfortunately, the demand for this particular type of information did not come to a focus early enough to permit as thorough-going a revision at this time of the manufactures schedules as some would have desired. Moreover it consumed considerable time to obtain a man qualified to give expert help in this field. We finally secured such an assistant, who, with the very helpful cooperation of persons well conversant with the field, went through this problem very carefully. We then made such modifications in the manufactures schedules as were possible to make within the time at our disposal. As a result of this effort, information regarding the industrial utilization of raw and semi-manufactured materials will be more extensive than ever before. In the case of all industries, the coal utilized will be shown as formerly. The same is true regarding the consumption of electric energy. In addition, we are asking for information relative to the utilization of approximately 475 commodities in 179 industries.

An entirely new departure has been adopted to show the sales channels through which manufacturers market their goods. A new question has been introduced in the manufactures schedules asking the manufacturers to break down their total sales into those invoiced to wholesalers, to retailers, to other manufacturers, etc. The data compiled from this inquiry will show the pro-



portion of sales made by each manufacturing industry through the various distributing channels, but, of course, will not give these details for individual commodities.

Since no advance warning was given to the manufacturers that this would be included, we realize that it may not be possible for every manufacturer to fill in the answers to this question. We believe, from discussion with leaders of various industries, that it will be possible, however, for a fairly large proportion of the manufacturers in each leading line of industry to give us such a breakdown, and we intend to present this detailed information for such proportion of each industry as is able to supply us with the data, publishing in each case the percentage of the total sales in each industry and the total number of establishments represented in such breakdown. The detailed questions in this field are phrased on the basis of sales invoiced to the establishments in the specific market channels.

The actual question calls for the distribution of sales at F.O.B. factory prices:

- a. Invoiced to wholesale establishments of all kinds not owned or controlled by or affiliated with this plant.
- b. Sales invoiced to branch or other wholesale establishments owned or controlled by or affiliated with this plant.
- c. Sales invoiced to retail establishments of all kinds not owned or controlled by or affiliated with this plant.
- d. Sales invoiced to branch or other retail establishments owned or controlled by or affiliated with this plant.
- e. Sales direct to industrial and other large consumers who buy at wholesale.
- f. Sales direct to home consumers (through field agents or otherwise.)
- g. Total sales.
- h. Volume of above sales made through manufacturers' agents, selling agents, brokers, and commission houses.

We have also laid plans to obtain as much information as possible regarding the distributors and distribution channels through which industrial goods move from manufacturers to other manufacturers, to mines, quarries, and others. The manufacturers' sales branches, sales agents, manufacturers' agents, supply houses, factories, etc., are all being canvassed with a general form, which is being used for all establishments of wholesale character. Very serious consideration was given to the possibility of having a special report form for such specialized establishments covering industrial distribution, but the more closely we studied the problem, the more we became convinced of the overlapping between this type of distributor and houses that are known only as wholesalers, brokers, etc. Consequently, no attempt was made to print a special report form, but every possible attempt has been made to dis-

tinguish the reports of such houses from regular wholesalers, and we intend to show special compilations for such specialized distributors. Since the census of these establishments will follow the general plans laid down for all merchants, it will, perhaps, be best to give a brief description of these general plans for the census of distribution.

Every established business engaged in buying and selling goods is to be covered in the census of distribution.

This census must give a complete count of all such establishments and their total sales. It must also be able at least to give summaries of these, classified in detail by kinds of merchants, classes of trade, and by communities. Insofar as possible it will also show the commodity sales in each of these classifications. The chief limitations to showing the commodity sales lie in the fact that so few merchants are able to report their commodity sales. It may be said that we shall have a complete census of distributors, their employees and operations, and as complete a census of distribution of goods as the very incomplete records of many merchants will permit.

A thorough-going classified count will be taken of the various types and sizes of retailers, wholesalers, and all other merchandising concerns in the whole country. Their sales, expenses, inventories, employees and wages will all be counted.

Reports collected from individual merchants will show the location of each establishment; whether it is operated by an individual, partnership, corporation, or cooperative association; how long it has been in business; and whether it is an independent store or a unit in a chain group.

Particular emphasis is being laid on the question of sales, the total sales volume in dollars being asked of each merchant. Totals for this information will be compiled for each type of merchant, each size group, and each locality. All merchants are also being asked to tell what part of their sales is made for cash and what part on credit.

The larger merchants, and some of the smaller ones who may be able to supply the information, are being asked to break down their sales data into more detail. Large retail stores are being asked the amount of their returned goods and what part of their credit sales is made on the installment plan. All important distributors are also being asked to break down their total sales volume into the chief lines of goods sold. No attempt, however, is being made to find out what part of each line of goods is sold for cash and how much for credit. The commodity breakdown applies only to total sales. This commodity information, which can be collected from only a part of the merchants, will be so compiled as to present as thorough a sampling as possible of the quantities of the different kinds of goods sold by each class of merchant in each community.

One question is being asked concerning the amount of rent, if any, that

is paid for the premises. Another is asked in regard to the amount of interest paid. Still another question deals with wages and salaries paid during the year. A separate question is then asked as to the amount of all other expenses excluding rent, interest, wages, and cost of goods purchased. In this way, much valuable information will be obtained regarding the contribution of distribution to the economic activity of the nation.

As much as possible of this information will be summarized for each city and county, as well as for each state and the nation as a whole. In no case will any single fact regarding the business of any individual concern be given out to the public, to any business rival, the tax authorities, or any person outside of the Bureau of the Census. The people who compile these reports are all sworn to secrecy and any person revealing the operations of any individual business would be prosecuted. The published results of this census will all be in the form of summaries with which each merchant may compare his own business operations.

Too little thought has, perhaps, been given, in these days of studies of trading areas and regional buying power, to the question of where the purchasing is actually conducted for the retail establishments. A large and increasing part of the merchandise is actually purchased by head offices of multiple-unit concerns such as chain stores, and these head offices may be a thousand miles away from any particular community in which a manufacturer or wholesaler is contemplating selling, and where the goods are actually sold at retail. The growth of central buying, under one guise or another, has made essential a careful study of the extent of what is sometimes called national merchandising, as compared with community merchandising.

No attempt is being made to obtain information concerning the profits of the concerns reporting. We are even omitting all questions which would show the gross margin between purchases and sales. The volume of the sales in dollars will be ascertained, but the cost of the goods purchased will not be covered.

The operations of restaurants are being covered by special questions on the regular retail forms. This makes it possible not only to find the facts regarding the business of restaurants, but also to find out to what extent restaurants sell goods over the counter, and to what extent retail stores serve meals.

A special form is provided for the automobile business. Sales, service, and repairs must all be reported. No branch of the automobile business will be omitted except garages that are operated solely as storage places. It is felt that the compilation of information regarding the business and employees of all concerns engaged in selling automobiles and their accessories and in the repair and servicing of them will shed much light upon recent shifts in occupations.

The hotel business and the operations and purchases of construction contractors are also being covered by means of special report forms. Most of these concerns are being asked to report by mail.

Place-to-place movement of goods is not being covered by this census. For this reason the operations of railway, steamship companies, and trucking agencies are not included. Neither is there being included the business of the banks, the doctors, lawyers, barbers, and beauty parlors—unless these last two operate sales departments.

This census will give comprehensive information for the first time about the distribution of industrial products which are manufactured for other industrial users. The output of these industrial goods is worth many millions of dollars each year, but so far little systematic information regarding their marketing is available.

Since the results in this field of the census will be of such a pioneer nature, we cannot hope to present a thoroughly complete picture of the field. We hope, however, to be able to find out and present the facts of most fundamental importance which will afford a sound basis for future comparisons and present profitable utilization.

In the matter of future comparisons, this census, as the first of what may be an indefinite series, will afford a basis for the determination of trends and tendencies in future years.

The business man will not have to wait, however, until the remote future to make practical use of the results of this study. We shall publish the results as promptly as possible after the reports of the individual concerns are secured. The results will be of immediate value both as a basis on which each business man may compare his own operations with those of others and as an invaluable basis of knowledge about the marketing system upon which every business man and every other citizen is dependent.

These census compilations will afford a mass of new and valuable data which every distributor may use as a yard stick with which to measure the operations of his own business. He will be able to compare his own affairs with those of others in his own community and elsewhere in regard to number of employees, salaries and wages, expenses, amount of sales for cash and proportion on credit, the relation of inventory to sales volume, the variety of stock carried and many other items. These comparisons may be made on the basis of detailed classifications of establishments divided geographically, by type and class of establishment, class of goods sold and size of business. All these comparisons will be of very practical value both to the business analyst in his search for new efficiencies in our economic structure and to the individual business man in his struggle to improve his own affairs.

The knowledge of the marketing system which will be afforded by the results of this census will be of great practical value in both buying and sell-



ing. The purchasing agent, as well as the sales manager and advertising agent, needs the clearest possible knowledge of the market structure on which his business depends in order to conduct his business intelligently. A wealth of information will be presented on sources of supply as well as sales outlets. Much clearer and more complete data will be available regarding the market structure and facilities than ever before. We shall have an adequate picture of the establishments engaged in each type of distribution. All of this information should take much of the guess work out of business and enable it to operate with less waste and greater efficiency.

In stressing the value of what we hope to accomplish we must not lose sight of the limitations as to what can be done as an initial effort. There are also decided limitations as to what can be accomplished intensively in such an extensive piece of work as a national census. Details that could easily be covered in a special survey cannot possibly be touched in a nation-wide census. There will be many things in the field of distribution data left over to be covered by surveys which can be made later by the Government or private agencies. Our aim in this census is to ascertain the most fundamental and important facts about distributors and distribution and to present these facts so that business men and business analysts may use them to increase the efficiency of our machinery of distribution.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912, of The Management Review, published monthly at New York, N. Y., for April 1, 1930.

State of New York, } ss.:  
County of New York, }

Before me, a Notary Public in and for the state and county aforesaid, personally appeared Edith King Donald, who having been duly sworn according to law, deposes and says that she is the Editor of The Management Review and that the following is, to the best of her knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation, etc.), of the aforesaid publication, for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reserve of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:

Publisher—American Management Association, 20 Vesey Street, New York City.

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Managing Editor—None.

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2. That the owner is: (If the publication is owned by an individual his name and address, or if owned by more than one individual the name and address of each, should be given below; if the publication is owned by a corporation the name of the corporation and the names and addresses of the stockholders owning or holding one per cent or more of the total amount of stock should be given.)

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EDITH KING DONALD,

Editor.

Sworn to and subscribed before me this 18th day of March, 1930.

(Seal)

AGNES M. GOGGINS,

(My commission expires March 30, 1931.)

# THE MANAGEMENT INDEX

## Abstracts and News Items

### GENERAL MANAGEMENT

#### Balancing Production and Employment Through Management Control

The purposes of this pamphlet are to present in a purely descriptive manner some of the means by which marked seasonal and cyclical fluctuations in manufacturing operations have been avoided and to indicate some of the principal sources of information concerning employment stabilization. There are included: management methods of balancing production, personnel policies leading to employment stability and some cooperative programs, such as the stabilization program sponsored by railroads, joint community programs, reduction of seasonal operation in construction industries, joint research activities by groups of private employers, the national business survey conference and the utilization of government statistics. A bibliography is given. By Russell L. Greenman. Department of Manufacture, Chamber of Commerce of the U. S. 62 pages.

#### Principles of Business Organization Applied to the Office

After outlining problems which have complicated office organization, due to the increased size of clerical units in this century, this article develops the theme of locatable responsibility, with the growth of the personnel function as an example. A clear cut distinction between the duties of line and staff is essential. The long-run solution of the organization problem lies in the development of executives of the line organization through the

instrumentality of staff departments such as personnel, planning, etc. Six trends in modern business are the development of the personnel movement, a growing interest in office management, a new emphasis on the understanding of accounting, an emphasis on research, the complexity of organization resulting from large scale operations, and the effect of public interest on business administration. By W. J. Donald. Proceedings of the Life Office Management Association, 1929.

#### Efficient!—But ARE We?

If it be admitted that to operate at a loss is generally the sign of inefficiency somewhere, it is evident from 1928 income tax records that somewhat more than 40 per cent of all businesses are rankly inefficient. A firm may be efficient in production and lose all that advantage through inefficient selling or wasteful administration. Substantial improvements are possible even in an apparently well-run concern. If all businesses would follow the continuous policy of adopting the methods that have proved to be effective in reducing costs, we may, in fact as well as in reputation, become a really efficient nation. By Charles H. Hatch. *System*, April, 1930, p. 308:4.

#### Control and Size in Management

The President of the Walworth Company mentions as controllable factors in management, materials, assignment of labor, expense, and the production budget.

Factors which are less tangible are productivity of labor, marketing, unfair trade practices, leadership. One of the prime problems is to decide whether to sell what is made or make what can be sold. The necessity for business research is emphasized. Research is the agent who will make it his job to promote harmony and equilibrium between the unknown and the known. By Howard Coonley, *Bulletin of the Taylor Society*, February, 1930, p. 18:4.

#### Millions for Production; Not One Cent for Waste

In the constant effort to sell more goods and to find wider markets there is appalling waste in management, production and promotion. A recent survey shows that in a hundred firms dealing in varied commodities the loss amounts to twenty million dollars a year. Reasons for these profit-eating wastes are: ignorance of the best methods now in use by other business men; and failure to test the effectiveness of a policy or method before adopting it wholeheartedly; unquestioning acceptance of traditional methods; failure to insist that every phase, activity and element of a business shall justify itself on the ground of profitableness; the as-

sumption that if a business makes any profit it is probably perfect. It pays to scrutinize every detail of a business. By Charles H. Hatch and Johnson Heywood, *World's Work*, April, 1930, p. 49:4.

#### Readjustments of the Machine Age

One of the things that needs adjustment to the Machine Age is the mental state of many prominent people. Many writers and speakers, entirely out of touch with reality are heard because they express themselves in an interesting way. Lacking total figures of unemployment from all causes at any one given time, no one can say that it is caused directly by mechanical improvements. Obsolete machines in many shops show managements whose minds are not properly adjusted to the philosophy of the machine age, which may be expressed as "Save the Man and Spend the Machine." Obsolete machines in a shop are apt to indicate obsolete brains in some executive's head. The mechanical age has brought luxuries within the reach of the worker, who now enjoys a standard of living unheard of in countries whose manufacturing practices have not kept pace with the machine age. By Ernest DuBrul. *Proceedings National Management Congress*.

## FINANCIAL MANAGEMENT

### Predetermined Costs

Predetermined, or standard costs, seem to solve the modern chemical accounting problem. A cost department, more like an engineering staff is maintained, which carefully figures the cost on a few products at a time for the purpose of checking up on the predetermined costs. The figures thus determined are used in the accounting work until some change in manufacturing conditions warrants a modification. The production manager knows he is required to turn the product over to

the stock room at the predetermined cost; likewise the sales manager knows he must earn a profit over this cost. Neither department can pass the buck to the other. By Richard B. Grant, *Chemical Markets*, March, 1930, p. 277:2.

### Punch Hole Accounting

The tabulating equipment of the American Steel Foundries consists of a punch, sorter, and tabulator. By means of this equipment data concerning details of labor, materials, expense, shipments, and

receipts are compiled. Methods used in the classification, addition, subtraction, multiplication and tabulation of these data are described. By Robert D. Pettit. *N. A. C. A. Bulletin*, January 15, 1930, Section I, p. 627:7.

#### Accounting for Fully Depreciated Assets

For those businesses that find existing conditions unfavorable to the installation of an adequate plant ledger, the author favors the percentage method outlined in this article. If all the units of property embraced in the hypothetical problem discussed in this treatise were subject to the same rate of depreciation, the results obtained by the percentage method suggested would have been identical with the results obtained through the use of a plant ledger. Such a situation does not often exist. As a rule, the units of property embraced within a given ledger classification of fixed assets are subject to different and varying rates of depreciation. In case of a plant ledger, effect can be given to individual rates of depreciation on the different property units. In case of the percentage method, it must be assumed that all units in a given ledger account depreciate at the same rate. Therefore, the more general the ledger accounts are for depreciable assets that are maintained for property units, having approximately the same economic life, the more accurate will be the accounting under the percentage method of eliminating fully depreciated assets. By J. C. Cassel. *N. A. C. A. Bulletin*, February 1, 1930, Section I, p. 681:21.

#### Forecasting Financial Progress for Going Concerns

An experiment in forecasting the financial progress, a year in advance, of a going commercial concern is described in this article. The firm selected was F. W. Woolworth Company, a chain store corporation dealing in low-priced merchandise. The forecast takes the concrete form

of an estimated balance sheet and of an estimated statement of income and expense for the calendar year 1928. These estimates are based: (a) on financial trends revealed by analysis of the concern's comparative balance sheets and statements of income and expense for the years 1918-1927, inclusive, taken from Moody's "Manuals of Industrial Securities"; (b) on a review of what the principal business forecasting agencies reported concerning the general business outlook for the year 1928. The contribution of the study is one of elementary method. By Louise Forsyth. *The Journal of Business of the University of Chicago*, January, 1930, p. 72:20.

#### Inventories, their Preparation, Compilation and Valuation

Advance preparation for taking inventory, counting, pricing, perpetual inventory, work-in-process, and finished goods are topics discussed in this article. By Robert H. Tuttle. *N. A. C. A. Bulletin*, March 1, 1930, Section II, p. 843:9.

#### Budgeting and Forecasting in an Individual Company

The budget is an administrator's device for measuring those elements in his primary problems which will subject themselves to quantitative measurement. By no means does it secure any automatic control. The process is in reality simply a sort of machine, and no more can be taken from one end of the machine than is represented by the material and effort put in at the other end of the machine. Moreover, many problems cannot be brought within the scope of budgeting technique, and, therefore, the budget can be only one of several important instruments that aid in solving administrative problems.

Step by step Mr. Barber carries budget development from the original estimate to the master summary, each step serving as a definite chart to guide the executive through whose department it clears, until



it reaches the "master" budget. For each separate operating unit, there can be observed upon a single line across the "master" budget, a summary of its condition as an individual entity.

Among other factors, checking up and enforcing the budget are stressed. Included in the discussion, is a description of the index of demand for valves and fittings in the United States of the Walworth Company. Numerous budget forms accompany the text. By Joseph H. Barber. *N. A. C. A. Bulletin*, February 15, 1930, Section I, p. 741:18.

#### Do Stock Dividends Constitute Income?

Stock dividends, at least theoretically, do not constitute true income in the legal, accounting and investment sense. A stock which sells for more after a stock dividend has increased shares outstanding and correspondingly diluted earnings, has either been manipulated, or was notably underpriced before the dividend. Sound business and accounting practice will probably continue to refuse to accept the theory that any ledgermain of accounting or investment can indefinitely enable a stockholder to receive \$18 per share in dividends from a company whose maximum annual earnings are \$6 per share. By Robert E. Warren. *L. R. B. & M. Journal*, March, 1930, p. 1:8.

#### Group Banking Sweeps the Country

Banking concentration is already an established fact. About 2,000 of the 25,000 commercial banks are now in 300 groups with resources of approximately \$14,000,000,000. This means that about 20 per cent of the country's total banking resources of \$72,000,000,000 is openly identified with the group-banking movement. A table entitled "Leading Banking Groups" gives the name of each banking group, total resources controlled, banking resources controlled, leading banks in the group, other outstanding corporations affiliated with the group, banking territory

of the group. Another table names the principal banking chains, showing the number of banks in each chain and the total loans and investments of the chain. The advantages and disadvantages of group banking are outlined, as well as the possible effects of this new phenomenon upon investment banking. By Ernest T. Clough. *Barron's*, April 14, 1930, p. 3:3.

#### Investment Management Problems and Policies

The problems of investment management may be divided in such a way that a number of different specialists, each well equipped professionally to study a part of the problem, may be organized to work together to the advantage of all.

There is no single safe investment. The hazard in diversified stocks is real and obvious, but it is a short term hazard. The hazard in bonds and other maturing obligations, on the other hand, is not so apparent, and is, to a far greater extent, a long term hazard. In managing investment funds, then, we are dealing with risks. The first problem to be met, therefore, is one of insurance against loss in real values. The problem is to determine the proportion of a fund which should be in maturing obligations and the proportions which should be equities or common stocks. These proportions will differ as financial and industrial conditions change, and as the prices at which suitable investments of the two types may be had. It is important that there should be in the management organization someone competent to appraise in broad terms what these proportions should be at different times. His appraisal should be based upon a study of past records, rather than upon intuition or hunch.

Furthermore, certain industries run into periods of prosperity, while other industries are suffering depression. Certain industries appear to have a long future of gradually increasing profits ahead of them, while others fluctuate in earning power. A division of the management

organization should be devoted to a study of the relative prospects of industries, both for a short term and for the long.

There should be another division, devoted to a more intensive study of different companies within the more promising industries, investigating published figures, and making contacts through which intimate knowledge of the immediate prospects of various companies may be gained. A part of the investigation will deal with figures, a part with the human element, with markets and with public

relations as they may affect any particular business organization.

It is the detailed and concentrated study of all the factors enumerated above, and their intelligent application, that must form the foundation of any justification which a trust company may have for offering to manage funds for the individual investor. An address by Edgar Lawrence Smith, before the Mid-Winter Trust Conference of the Trust Company Division of the American Bankers Association, February, 1930, 15 pages.

## OFFICE MANAGEMENT

### Space: *Location, Equipment, Arrangement*

#### Influence of Physical Surroundings on Office Work

The subjects of light, noise, ventilation, space layout, and supplementary requirements such as lunch and recreation facilities are discussed in this article. It is

shown how these factors affect the quality, number of errors, quantity and appearance of the work of employees as well as labor turnover. By L. Reeves Goodwin. *The Society of Industrial Engineers Bulletin*, January, 1930, p. 15:5.

### Training and Education: *Schools, Libraries, Employee Publications*

#### Social and Economic Implications of Education for Business

There are implicit in our undertaking of formal education for business the following factors: a prospective improvement in vocational ability; a better organization of our economic system; in spite of the effects of the industrial revolution—the new impersonality, mass production, specialization and the machine—the social meaning of our work shall not be lost to us; an extension of the perception of the significance of vocations; an effort to objectify for all what business is and does, its functions, merits and demerits in the work of social life; the prospect of a sounder cultural training and of a more enlightened point of view upon public questions; and finally education for business is bound to serve as a great instrumentality of research in bringing to

all social scientists more adequate and more accurate data from which to draw conclusions concerning the desirable ends for social effort and the desirable means by which these ends may be achieved. By Leverett S. Lyon. Paper presented before the International Congress on Commercial Education, September, 1929, 13 pages.

#### Business Training Centre in Paris

The Paris Chamber of Commerce has set up a Business Training Centre to provide young business men with the special training required by modern commercial methods. The Centre consists of two parts: a school and a research department. The system to be used will be based on that of the Harvard University Graduate School of Business Administration known as the case system, that is, the students discuss specific situations which have actually arisen in undertakings. The Re-

search Department will carry out work similar to that of the Bureau of Business Research attached to the Harvard School. Its main function is to discover cases and arrange them for study. *Industrial and Labor Information*, March 3, 1930, p. 311.

#### Learning at Forty—and After

Not until the late fifties does the learning curve begin to drop off sharply, while

the man or woman of 45 can still learn as rapidly as most college students. The greatest obstacle to securing results from adult-education efforts is the fact that the new knowledge or ability secured does not fit the individual. Care should therefore be taken in the selection of the courses, so that the new knowledge may be really usable. By Myron M. Stearns, *World's Work*, April, 1930, p. 80:2.

### Records: Forms, Charts, Cards, Files, Statistics

#### Aid in Personnel Management

The American Security and Trust Company of Washington, D. C., in co-operation with the American Council on Education, is developing a "Record of Usage" for each individual position in the company. Each position is first given an accurate title. This is followed, in the "Record of Usage," by a short subject paragraph broadly describing the work done, the degree of responsibility, and some of the major requirements of the job, and stating in addition in what part of the institution the position is located and under what executive the immediate supervision falls. The remainder of the record consists of a series of items describing in terms of action the essential things which are done on the job. A sample record of usage for a specific position in a financial institu-

tion accompanies the article. By L. Pierce Riddle. *The Burroughs Clearing House*, March, 1930, p. 57:1.

#### Calendar Reform—A Plea for Simplification

The discussion shows how the defects of the present calendar are remedied by the various proposed plans for simplification, such as the International Fixed Calendar of thirteen months, and the calendar of the Western Electric Company which has twelve months, but the first two months of each quarter consist of four weeks each, and the third month contains five weeks, making every quarter include thirteen whole weeks. A section of the article describes the handling of extra days. By E. V. Neubauer. *The Society of Industrial Engineers Bulletin*, January, 1930, p. 19:5.

### Organization: Job Analysis, Employment, Pay, Tests

#### Selecting Executives: An Evaluation of Three Tests

In a search for tests to discover executive aptitude which might be of value in selecting supervisors, bureau chiefs and department heads, the City of Cincinnati has experimented with three test possibilities—the Allport Ascendancy-Submission Study, the Laird Introversion-Extroversion Test, and a following-directions test. Comparative scores for a group of supervisors and a group of employees without supervisory responsibility indicate that the Allport Study may have con-

siderable prognostic value but that extroversion as measured by means of the Laird inventory is not a factor in executive ability for non-selling positions. By R. O. Beckman and Michael Levine. *The Personnel Journal*, April, 1930, p. 415:6.

#### An Introduction to the Principles of Office Organization

A specific program to be followed when reorganization is undertaken is described. It includes: 1. Selection and training of an investigating staff; 2. Selection of a



routine for investigation; 3. Examination of the existing details of the routine selected; 4. Investigation of the purpose of the routine; 5. Scientific examination of the existing and other available methods of achieving the purpose; 6. Standardization of the best method known at the time and the revision of the standards with increase of knowledge and experience; 7. Finding the best-fitted person to do the work; 8. Teaching the best method; 9. Careful planning and control of the arrangement and sequence of work to secure that the best-suited operator, properly taught to use the best methods, is working in the best conditions; 10. Establishment of incentives to secure performance ac-

cording to the standards. Each is considered at some length in this introductory treatment, and examples of applications of the scheme are given. The point is stressed that such a reorganization process must be undertaken very gradually and possibly only partially. Much investigation and routine will probably be necessary for the extension of the investigation to a significant proportion of the numerous activities of the ordinary office. All the implications of the scheme should be clear to the investigator even when it is being applied only in part; he should have before him an outline of the system as a whole, in order to grasp its full import. By L. J. B. Turner. 72 pages.

## PRODUCTION MANAGEMENT

**General:** *Promotion, Organisation, Policy, Development*

### Creative Art Invades Industry

The advent into industry and mass production of the artistic influence has progressed to the point where the Dura Company, manufacturers of automobile hardware has opened a complete art department. Recognizing the difference between modernistic riot and the beautiful creations of the trained designer, the company maintains a staff of artists and sculptors. Here designers work hand in hand in processing details in the plant. By J. B. Nealey. *The Iron Age*, April 10, 1930, p. 1061:3.

### The Trend of Modern Production Methods

There has been a vast change in production methods during the past 17 years. The production engineer today has a variety of problems to solve and fit together so as to achieve manufacturing efficiency, and thereby overall efficiency of the company. The planning must be carried out by flexible minds; directors must exchange theoretical with practical ideas;

accountants must rearrange their figures so as to supply costs immediately in an easily understood form. It is only when conditions such as these exist that general progress is likely. *Proceedings of the Institution of Production Engineers*, Vol. VII, No. 2, p. 69:15.

### Some Impressions of Engineering Works in the United States

The report of a visit to the United States to view things from the production engineer's standpoint, during which the Packard, Cadillac, La Salle, Chrysler, Ford and Armco factories, among others, were visited. Ford was found to be the most crowded, Packard the most roomy. The Ford plant also seemed the most disorganized in comparison with what was expected. The Timkin Axle Company's factory more nearly approaches English firms in relation to quantities. The custom of regular foremen lectures at the Cadillac plant was remarked as a notable feature. The conclusion made was that, all things considered, the Americans are



well organized; however taken all in all the visitor thought the English could do better. Presidential Address by J. A. Hannay, Annual Meeting, Birmingham Section, Institution of Production Engineers, January, 1929. *Journal of the Institution of Production Engineers*, February, 1930, p. 102:8.

### The Organisation of Production

Each of the main departments of an organisation is considered, as follows: Progress; Planning; Plant Department; Measuring and Standards; Tool Stores; Machine and Erecting Shops; Rough Stores, and Finished Part Stores. When dealing with a matter of general organisation one must of necessity rightly or wrongly be governed very largely by ex-

isting conditions and too often by the legacies of ancestral managements and boards of directors. A sound system of organisation guards to the utmost against unnecessary delays and loss of time which are not only unprofitable but are the greatest causes of bad or indifferent workmanship. Every consideration should be given to the question of Safety First.

Discussion from the floor on the ideas presented follows. In conclusion the speaker says that organisation should be so planned that the work is covered in the right department and that each department functions correctly through the liaison between the different departments. Debate opened by R. H. Hutchinson. *Proceedings of the Institution of Production Engineers*, Vol. VII, No. 2, p. 60:9.

### Industrial Economics: Labor and Capital, Legislation, Wage Theory, Immigration, Duration of Work

#### Specialists from Works Going to Moscow

A group of specialists from the Schenectady Works has been engaged by the International Electric Company to go to Moscow, to assist the State Electrotechnical Trust of the Soviet Union in their manufacturing work.

The State Electrotechnical Trust is now manufacturing a complete line of electrical apparatus and equipment, but because of urgent economic needs for a rapid increase in its output to supply the vast needs of the Soviet Union under the five-year plan for the economic and industrial development of the country, technical assistance has been sought from the General Electric Company to hasten the program. *General Electric News*, Feb. 21, 1930.

#### Industry and Depressed Price Levels

Characterizing the price cutting tactics which are demoralizing many industries as the fifth clearly defined stage of competition in industry, Mr. Alden discusses

in this article the origin of the problem and the factors which make it difficult of solution. He declares that specialized education for industrial groups and accurate knowledge of the costs of his product on the part of the manufacturer are to be regarded as essential to effective co-operation. By L. V. Alden. *Executive Service Bulletin*, March, 1930, p. 3:3.

#### The Older Worker in Industry

In the 1920 census 53 per cent of all persons over 45 years of age in the United States was reported as gainfully occupied. This represents a substantial increase over the two previous censuses. While some companies feel that with 45 comes mental maturity, another group thinks the older man definitely becomes conservative, **opposed to change** and a complex psychological problem.

Statistics show that the accident rate in industry increases with age. What is industry doing with the older man? Descriptions of two individual plans are given. Mr. Roderic Olzendam feels that what is needed is a representative com-

mittee that will meet for the purpose of devising a plan to uncover the true state of the matter and draw up a working plan that will, in the words of President Hoover, "preserve the character of man and yet enable us to socially and economically synchronize the gigantic machine built out of applied sciences."

The result of an investigation of several hundred manufacturing firms shows that 72 per cent of the manufacturing plants of the United States has no set maximum age hiring limits. In the practice of the Scovill Manufacturing Co. the maximum hiring age limit is considered as a flexible precaution, ordinarily adhered to but subject to exception upon occasion.

Mr. W. J. Graham concludes, from a consultation with a representative cross-section of group insurance patrons that the older man, that is, the worker over 45, in industry is more frequent and is having an easier time of it on the whole than at any other peacetime. Opinions are divided on the soundness of state old age pensions. According to Noel Sargent, the industrial care of the long-service worker is being realized to a great extent

in plant pension plans. Proceedings of the Annual Meeting, National Association of Manufacturers, October 15, 1929. 43 pages.

### Attacking the Unemployment Problem

Certain companies operating in various apparently seasonal industries who have met the problem of uneven production in several ways are: Proctor and Gamble, Columbia Conserve, Dennison Manufacturing, S. C. Johnson & Son (varnishes, etc.), Packard, Hills Brothers, Knox Hat. There are also certain communities which have made considerable progress in meeting unemployment, such as Cincinnati, Dayton, Buffalo, Philadelphia. A plan devised by the New York State Department of Labor is being recommended by the Governor to mayors and city officials generally. Labor is also cooperating on city and state committees for the regularization of employment. Measures for which labor is enlisting support are the 5 day week, the 6 hour day, old-age pensions, the dismissal wage for those displaced by machinery, and unemployment insurance. By Louis Stark. *New York Times*, April 6, 1930, Section 10.

## Training and Education: Schools, Libraries, Apprenticeship, Employee Publications, Bulletin Boards

### Apprenticeship in the Rubber Industry

In this paper the author describes the apprenticeship training courses used by the Goodyear Tire and Rubber Company. The training is of four classes—the production squadron, the engineering squadron, the Goodyear Industrial University Training Course, and the apprentice machinist course. Candidates are selected by means of an intelligence test, personal interview, and physical examination.

The production squadron provides production men for departments where extra help is needed. The engineering squadron prepares men for positions as foremen, inspectors, and staff assistants. The

Industrial University Training group gives instruction to high-school graduates who wish to enter staff work, but require additional training. The apprentice machinist course trains men to be skilled mechanics. By C. C. Slusser. *Transactions of the A. S. M. E.*, September-December, 1929, p. 135:5.

### Training Workers for More Than One Job

A foreman should train his men not only to do their own particular job, but two or three jobs. Taylor and Gilbreth spoke of this system as "three-men jobs" and "three-job men." There should be,

then, a teacher, a worker and a student of each job. Any organization not provided with understudies for all important positions is a weak organization. Without them men in key positions become, or think they become, indispensable. The foreman properly supported by management should see that none of his men fall into this frame of mind and he should avoid it himself. By J. C. Lindsey. *The Foreman*, March, 1930, p. 7:1.

#### Scholarships

The Westinghouse Electric and Manufacturing Company each year awards four

War Memorial Scholarships to sons of employees who have been in the employ of Westinghouse Electric companies for five years or more, and to employees not over twenty-three years of age who have been continuously employed by the company for at least two years. Each of the four scholarships carries with it an annual payment of \$500 for a period of four years, such payment to be applied toward an engineering education in any technical school the successful candidate may select with the approval of the War Memorial Committee. *Westinghouse Magazine*, March, 1930, p. 9:1.

#### Benefit Systems and Incentives: *Group Insurance, Pensions, Vacations, Profit Sharing, Wage Plans, Suggestions, Stock Ownership*

##### Ivorydale: A Payroll that Floats

What the guaranteed working year (48 weeks) means to employees of Proctor and Gamble. Other attractive features of employment are the sickness insurance and old-age pension plan, and opportunity to share in the company's profits through stock purchase and profit-sharing dividends. By Beulah Amidon. *Survey Graphic*, April, 1930, p. 18:6.

##### Productive Occupations for Industrial Veterans

What becomes of the worker who reaches the retirement age? Students of old age situation, pensions, unemployment and kindred economic problems, as well as the workers themselves, fall into two classes on this old age retirement question: those who favor the transfer method of retaining veteran employees in an organization with the payment of adjusted pensions in order to supplement the lower wages earned in the positions of less skill and responsibility than were formerly held; and those who look with favor upon retirement on a pension as a boon, awaited with keen delight, and who consider their regular contributions to a pension fund as an effective method of saving toward a future competence

which will permit them to retire with their economic future secure.

The results of recent studies of the situation indicate that many workers retired on pensions are not spending their last days in unproductive idleness. Many of them cannot get by on a pension. Many of them are supplementing their pension payments by filling such positions as assembler, cashier, checker, door tender, watchman, janitor, porter, etc. *American Machinist*, March 20, 1930, p. 474:3.

##### Measures of Effectiveness

It is essential that measures of effectiveness be set up for each department, division and section of an organization, with the results finally tied into a company total. Beginning with the individual, the results of setting standards of performance are quite gratifying. Generally speaking, the application of a well-worked-out incentive plan produces an increase of 20 per cent in production and a corresponding decrease in cost. Incentive plans have even been successfully devised to apply to executives. In the studies incident to the standardizing of operations and the setting of performance standards, departmental work units come

to light. As all the departments are standardized, the effectiveness of the company as a whole will be apparent. *Better Business Methods*, January and February, 1930.

#### **New York Adopts Measure Providing Aid for Aged**

The New York Assembly at an evening session March 31 unanimously passed the Mastick old-age pension bill and sent it to the governor. The measure provides for financial relief to worthy residents of New York over 70 years of age who have resided in the State for at least 10 years and need assistance. No specific pension payments are fixed. (The bill was signed by the governor on April 10th—Ed.)

Another bill to create a division in the department of social welfare to administer the act has passed both houses and has been sent to the governor. *U. S. Daily*, April 3, 1930.

#### **Plant Operates Mutual Aid Society**

Benefits to which the members of the Mutual Aid Society of the West Allis, Wis., plant of the Allis-Chalmers Manufacturing Company are entitled include: \$1 a day for 90 days for total disability resulting from sickness or non-industrial

accidents; hospital and medical attention, also services of a specialist if advisable; necessary prescriptions; X-rays, and a death benefit of \$100. Membership dues are 50 cents a month; to this the company adds an equal sum; and the society is self-sustaining. This work is entirely outside the scope of the official company welfare and medical service. Records show that although membership is not compulsory, more than 99 per cent of the employees have availed themselves of the services offered. *The Iron Age*, March 20, 1930, p. 843:2½.

#### **Stop Gaps for Leaky Payrolls**

Retention of employees after they have hit the down-grade starts a leak in the payroll which is likely to grow to alarming proportions. Very few employees, if any, are now being dismissed because of incompetence without financial provision. The problem of what that provision shall be is a vital one to industry. This article presents the opinions of such experts as E. S. Cowdrick, M. B. Folsom and J. E. Kavanagh on the subject. They all agree that the funded pension plan is more economical than any informal plan and operates with equal justice to employer and employee. *American Machinist*, March 27, 1930. p. 533:2.

### **Labor Relations: Collective Bargaining, Employee Representation, Arbitration**

#### **Industrial Relations in the United States**

Industrial Relations in the United States have been coloured at every turn by the individualistic traditions of the country and by the absence of caste distinctions. These two strains in American life should be kept in mind in attempting to understand the various aspects of labour relations, such as trade unionism, social legislation, arbitration and conciliation, and the latter-day emphasis on securing co-operation within the individual plant.

The relations between employers and employees can be divided into a controversial phase and a constructive phase, though these aspects overlap. The historical developments are largely concerned with the controversial phase.

Trade unionism, labor legislation and mediation and arbitration are briefly reviewed, also the constructive phase of industrial relations, including employee representation and union-management co-operation. The greatest progress in industrial relations has been made in the



better adjustment that has been worked out as a part of good management in the individual plant in abolishing any difference in the treatment of the rank and file of workers and other members of the organization. By Sam A. Lewisoohn. Reprint from *Encyclopædia Britannica*, 1929, 6 pages.

#### **Contributions of Personnel Management to Improved Labor Relations**

A thorough treatment of the development of personnel management and what it has done to improve industrial relations. Personnel work is now generally recognized as essentially a staff and facilitating activity, the purpose of which is to collect information, analyze and compare it, and render advice and services to the other executive departments. It helps the directing management determine labor policies, and it oversees and assists in the carrying out of those policies after they have been formulated. It often is charged also with representing the labor point of view to the management. But it cannot directly manage

labor, except its own comparatively small staff of employees. Labor management proper must be left to the managers of the various departments. Perhaps the most significant contribution of Personnel Management has been its development of employee representation machinery. By William M. Leiserson. Reprinted from *Wertheim Lecture Series on Industrial Relations*, 1928, 40 pages.

#### **The Present Situation in the Southern Textile Industry**

The history of the textile industry in the south is traced, giving the background of the exploitation of labor and the causes of the recent strikes. There is not much hope for general organization of the industry but this may be done by gradual infiltration, which will content itself with minor adjustments in working conditions and in proving to the employer that it is a constructive organization with his interest as well as the workers' at heart. By Broadus Mitchell. *Harvard Business Review*, April 1930, p. 296:11.

#### **Shop Organization: Planning, Methods, Job Analysis, Standardization, Waste**

##### **American Management Methods in a European Car Shop**

The author instances an old business employing nearly 3,000 workmen, engaged in building passenger, freight and tram cars, which changed, with the adoption of American production methods, from a deliberate and dignified pace to a typical American speed. The introduction of a central planning department and the use of standard Gantt layout charts have effected closer cooperation between the engineering and production departments and the more careful co-ordination of the many operations involved. Physical changes in the plant are reducing the labor cost of handling material. Although all innovations are not yet completed, those already in use

have resulted in a vast speeding up of operations, increase in output and improvement in general methods and individual technique. By Wallace Clark. *American Machinist*, March 27, 1930, p. 512:4.

##### **Production Control Applied in Building Large Machines**

A highly successful system of production control which goes far toward creating goodwill by meeting delivery promises has been installed by the Chambersburg Engineering Co. It is of particular interest because manufacturing at this plant approaches special order conditions, many of the machines being built to sales orders only. A scientific approach to production problems is made in an

efficient system of preplanning, and is carried into the plant lay-out, which is arranged so as to assure the shortest and quickest travel of material in process. A research laboratory has recently been erected for the study of fundamental phenomena affecting design. By Ralph E. Miller. *The Iron Age*, April 3, 1930, p. 997:5.

#### Knowing Where Work is in the Shop

Assigning work to each man in the order in which it is wanted, and keeping tabs on it by means of simple record cards, all records being handled by one man, is an important phase of shop management. The method worked out and adopted by the Corning Glass Works is described here, with illustrative figures of the various record charts used in the process. By Fred H. Colvin. *American Machinist*, February 20, 1930, p. 325:3.

#### Accounting for Waste in Industry

Causes of waste in industry and means of eliminating waste are discussed in a thorough manner. Planned production, the importance of scheduling intelligently, standardization, simplification, the importance of waste elimination, and the

need for increased capital turnover are among the topics treated. Waste in office expense has received scant attention in the past. Mr. Early stresses its importance and outlines methods of reducing such waste. By Edward Early. *N. A. C. A. Bulletin*, March 15, 1930, Section 1, p. 903:19.

#### The Use of Injunctions in Labor Disputes

A fair statement of both sides of this controversial question is given by presenting briefs from the American Federation of Labor and the League for Industrial Rights. The subject is discussed from these various angles: Law and equity; interference with an anti-union contract; the boycott; unfair list and blacklist; the sympathetic strike; refusal to work with non-union men; strikes generally; picketing; union publicity; the closed shop; union recognition; the injunction and involuntary servitude; development of judicial theory and practice; contempt proceedings; proposed federal legislation. *Information Service*. Department of Research and Education: Federal Council of the Churches of Christ in America, March 8, 1930. 19 pages.

#### Research and Experiment

##### Research Laboratory Established to Aid Manufacture and Sale of Lumber

The National Lumber Manufacturers Association has recently set up its own laboratory. It will occupy space in one of the science buildings of the Catholic University of America and will supplement the cooperative assistance now furnished by the Forest Products laboratory of the United States Forest Service and special cooperative investigations made with other laboratories from time to time. Although the new research unit will be under the direction of the Association's engineering department, it is planned to afford the technical faculty and student

body of the university opportunity for assisting in the work. Studies at the new laboratory will be coordinated both functionally and as to time with the National Association's trade extension program. *The Four L. Lumber News*, March 20, 1930, p. 3.

#### Psychology as an Aid to Production

How does psychology come into such questions as lay-out and routing? The industrial psychologist looks at the problem from a somewhat different angle from the engineer. The engineer is mainly concerned with the material side while the psychologist considers the problem from the standpoint of the person who is ac-

tually placed in that environment, and he tries to arrange the lay-out so as to utilize to the fullest extent the capabilities and possibilities of the worker. By him such questions as elbow room, transport, machine design, lighting and rhythm, etc., are treated in such a way as to obviate defects in organization that retard the best possible progress. By G. H. Miles, *Journal of the Institution of Production Engineers*, February, 1930, p. 87:10.

#### Industrial Psychology in England, Germany and the United States

This paper is limited to a discussion of certain outstanding features of industrial psychology in England, Germany and the

United States. It does not aim to describe the wealth of significant work in progress; that would require several volumes. The attempt is rather to paint with a broad brush those features of the work which appear more or less characteristic and distinctive in the three lands, and to place some interpretation and evaluation on these developments. The treatment represents not a survey of progress in industrial psychology, but rather the lingering impressions left from such a survey. Emphasis is intentionally placed on points of difference between the countries, where each may possibly have most to learn through a consideration of the others' activities. By Arthur W. Kornhauser. *The Personnel Journal*, April, 1930, p. 421:14.

## MARKETING MANAGEMENT

#### The Problem of Depressed Price Levels

Price cutting cannot be satisfactorily explained by over-production, over-capacity, or the law of supply and demand. This situation in most industries is deliberately produced by some one or more members of the industry who believe that a seeming competitive advantage secured by unjustified price reductions can be converted into profit. One manufacturer can lower the price level of an entire industry. At the present time, industry is without protection from the results of this policy. Corrective measures lie in the direction of industrial education and in trade practice conferences. Manufacturers, of course, cannot set proper prices unless they know what their costs are. A survey disclosed the fact that less than 50 per cent replying to a questionnaire had dependable cost figures on which selling prices could be based. *The Merry Thinker*, March, 1930.

#### What Is a Sound Expansion Policy?

Perhaps the most logical way to expand is to develop a full line. This is the expansion method most widely followed. Before the war the majority of this country's

advertisers were specialty manufacturers. That is, they made a single product or a small line of closely related goods. Since the war the tendency toward full lines has been overwhelming. One reason for this development is the high cost of distribution, as it is believed, whether true or not, that it costs proportionately less to sell a related group of articles than it costs to sell two or three items in that group. Some of the individual examples considered in this connection are Smith Brothers, the Florsheim Shoe Company, Stephen F. Whitman & Son, Deere & Company, Johns-Manville, Childs Company, The Packard Motor Car Company, which has added air-plane engines to its line, and many others. By John Allen Murphy. *Sales Management*, March 15, 1930, p. 476:3.

#### Distribution Costs

All distribution costs have to be allocated to lines of major product, by district offices and territories. A control of salesmen is secured by setting a quota for each, and a monthly budget comparison is made. A similar check is made by classes of customers. Another analysis, by terri-



tories, shows how much each is gaining or losing over the average for the company. Sales department costs having been controlled through initial sources of sales, price control must be attained. When business is not obtainable at cost plus profit someone must determine whether to take orders at present cost, present cost without selling and administration, present cost of labor and materials without any factory, selling or administrative overhead, or at true total costs at various percentages of capacity, the latter being the sound way to set prices. By Norris M. Perris. *Bulletin of the Taylor Society*, February, 1930, p. 32:7.

#### Instalment Selling as a Depression Offset

During a business depression a certain number of people find their purchasing power curtailed. Some of these suffer actual loss of wages and are unable to purchase anything but the barest necessities; others are unable to purchase for cash as was previously their custom. The former are eliminated as customers, while the latter become prospects for goods on the instalment plan. This latter group of so-called marginal buyers who change from a cash to a credit basis when incomes are pared constitute a considerable number of customers. They are a new

class of credit buyers—a reserve of demand to keep merchandise moving and factory wheels revolving. Their purchases in turn create new buying power for the community at large. Thus instalment selling becomes a means of offsetting depression. By Arthur Fertig. *Commerce and Finance*, March 12, 1930, p. 533:2.

#### Most Returns are the Result of Misunderstood Sales

Conditions of the sale should first be thoroughly understood. Some of the most important are a legible writing of the firm name, then the terms should be presented on the order form with a complete understanding in black and white between buyer and seller. No goods should be sold "On Call" without a final definite shipping date. In the event of required quick delivery the wisest plan is to get the required date and mark the order. The McCurrach Organization, Inc., have installed two rules on the reception of all orders: First, all orders that should be confirmed are just paper until they receive confirmation and they are never entered as sales. Second, all orders are checked as to proper writing of shipping instructions, and any that do not agree with existing conditions are remailed to the salesman. By Walter K. Townsend. *Printer's Ink*, March 27, 1930, p. 104:2.

#### Sales Promotion: Letters, House Organs, Advertising

##### Merchandising Budgets—An Antidote for Dealer Inertia

A plan whereby the Goodrich Rubber Company furnishes dealers with a custom-built advertising and merchandising program, to suit each individual dealer's specified needs, is strengthening the work of Goodrich dealers and resulting in increased sales. The material is divided into action, identification and repetition advertising. A merchandising plan of this nature gives the salesman something definite to talk about to dealers. It is

based on a budget form. A special contest is used and the salesmen who prove to be the best merchandising men are awarded a red, blue and gold button with the inscription, "Goodrich Master Merchandiser." By Phil J. Kelly. *Sales Management*, March 22, 1930, p. 510:3.

##### Sale of Combined Articles Expands

The marketing of combinations of related articles in a single package at a unit price has grown during the last year from an occasional practice to a vital part



of present-day merchandising, says James M. Hynson, Sales Manager in the metropolitan district for the Lebanon Paper Box Company. The combinations are endless and new ones are springing up every day. Retailers take to the plan readily because of its value in inducing larger unit sales. It is easier to sell an attractive combination than to dispose of each item separately. *N. Y. Times*, April 6, 1930, p. 22N.

#### **Robots Sell Millions**

Mechanically speaking, anything can be sold in machines, but from the sales standpoint nothing can be sold unless it meets these six requirements: the article must be packaged, must be nationally advertised, must be small enough so that a machine may be refilled once a day at a slack hour, must not be perishable, the price should be small, and the article must be standardized. One chain store executive says: people buy goods up to 25 cents silently, at 35 cents they begin to look them over, at 50 cents they not only look but begin to ask questions and demand answers. National mechanical distribution has increased rapidly, as these machines can be an accurate merchandising rifle rather than a shot gun, but deriving the full benefit from automatic salesmen requires study. In some cases the manufacturer of an article also manufactures a machine to distribute it. In other cases, the maker of vending machines has taken on the making of what they market. By P. F. O'Shea. *System*, March, 1930, p. 225:4.

#### **Making the Instruction Book a Good-Will Builder**

Whether the product be complex or simple, careful thought that considers the mental attitude of the consumer can produce a booklet or card that will be truly instructive. Thought should also be given to the manner in which the instruction material is to be placed in the customer's possession. Intelligent directions that may be followed with a fair degree

of faithfulness by the consumer will help insure satisfactory performance. The good-will can be heightened if the directions are planned and worded so as to call attention to the product's peculiar virtues and advantages. The methods used by Delco-Light, Maytag, Copeland Sales, Estate Stove, Premier Vacuum Cleaner, Atwater Kent, Grigsby-Grunow, Walker Dishwasher, Advance-Rumely, Iver Johnson's Arms and Cycle Works, and the American Stove Company are described. By Arthur H. Little. *Printers' Ink*, March 20, 1930, p. 73:5.

#### **How duPont Eliminates Price Bickering on Big Industrial Orders**

The paint division of E. I. duPont de Nemours & Company offers to large-volume industrial prospects a "Prescription Paint Service" which has done much to keep their selling above the free-for-all price slashing which frequently takes place when competitors are bidding for big jobs. The service begins with the call of an engineer at the plant to be reported on. He examines buildings and equipment and studies the type of work done in each department until he understands all manufacturing conditions and processes. He records the conditions of atmosphere, extremes of temperature, acid and other fumes. The engineer's report is more than a collection of scientific and other data. It is a carefully planned working schedule and a scientific system of painting an entire plant on which those who are responsible for maintenance can standardize for many years. By James True. *Sales Management*, March 1, 1930, p. 378:3.

#### **An Eleven-Point Canvass with Tested Selling Power**

It was believed that the principal factor in increasing the sales of the New York City staff of the Mutual Benefit Life Insurance Company more than \$3,500,000 in one year was the use of a standardized

canvass. The psychological basis of the chart upon which the standardized canvass is built will apply to all forms of selling. This chart is shown in the form of a suspended pendulum. Under segment one of "Creating Desire" there are these points: Establish interest and confidence; secure information for appraisal; explain first major reason; explain second major reason. Under the segment of

"Augment Confidence" there are: Show why he should do business with you; show that users are satisfied. Under the caption of "Develop Enthusiasm—Secure Action" the following points are listed: Explain reserve reason; eliminate fear of a trap; minimize cost; make terms convenient; show advantages of immediate action. By William H. Beers. *Sales Management*, April 19, 1930, p. 108:2.

### **Salesmen: Selection, Training, Compensation**

#### **Why Rating Scales for Selecting Salesmen Are Worthless**

No one can tell what a good salesman should look like. Even sales managers cannot agree on what a good salesman is. Nevertheless, there seems to be a fairly common belief that it is possible to determine the probable sales ability of an applicant for a job as salesman by rating him according to a set scale. The author believes that the best job of hiring salesmen is done by ear rather than by note. He takes his time and only makes up his mind after four or more interviews. Sometimes his reasons are intangible and unexplainable. He tries to call on former employers of applicants instead of writing to them. By George Biggs. *Printers' Ink*, March 27, 1930, p. 44:4.

#### **Celotex Offers Training Course for Retail Salesmen**

The "Merchandisers' Club of America" for retail lumber salesmen and merchants of The Celotex Company has already an enrollment of 750 members, although only a month old. The eligibility of salesmen for membership in the club is decided by the yard manager or an executive of the lumber merchant's, who sends a list of these men to the company on a printed form. Benefits of the club will include awards of value given from time to time for meritorious performance in retail selling; educational data of the

highest type injected into the club procedure; weekly bulletins of interest to the retail trade to be forwarded to each member regularly, and fundamentals of retail selling made available to members in a concise form. By L. M. Cole, *Sales Management*, April 5, 1930, p. 28:1.

#### **Sales Control That Eliminates Hit-and-Miss Selling**

The Troy Laundry Machinery Company has successfully developed a plan for selective selling which prevents the running up of sales costs on business which is not profitable in the long run. The sales records made out by Troy salesmen, five in number, form the machinery of this plan. They are: 1. Weekly itinerary (light blue); 2. Customer analysis (canary colored); 3. Plant inventory (light green); 4. Subsequent form (white); 5. Lost order form (light pink). By R. W. Denman. *Sales Management*, March 22, 1930, p. 512:3.

#### **Inducing the Salesman to Invest in Himself**

The general aim in the quota plan of Thomas A. Edison, Inc. is to keep before the salesmen the ideals of low-pressure selling, and a group spirit rather than an individual fight. This plan includes a Preferred Stock Certificate. In the blank space for number of shares the salesman's quota, set by himself and his own dis-

strict manager, is filled in. Each month, as and if he sells one twelfth of his yearly quota, he fills in and forwards the blank. When at the end of the year he finishes his quota, he will have written across the face of his certificate, "Trust fulfilled," and it will be signed by Thomas A. Edison. Besides this, he will be paid interest included in his commission arrangement on the retail value of the merchandise he has sold. Each of the districts, however, has its own pet plans for financial returns to the salesmen as he pays for his Trust Certificate by successive coupon sales, although they are generally paid at frequent sales meetings. By Nelson C. Durand. *Printers' Ink*, March 6, 1930, p. 25:3.

#### General Foods Tests Reserve Force to Build Outlets for Entire Line

In order to get distribution for all its products in retail grocery stores throughout the country, General Foods Sales Company is testing out in three cities a new sales method involving complete reports on the present distribution of its products in every store. Upon these reports, a flying squadron of salesmen will act to supplement the work of the company's regular sales force. It has been found that salesmen selling the full line in smaller territories have done more effective work than under the old plan of selling parts of the line in large territories. The knowledge that other men may come into their territories to complete their jobs has already proved effective in stim-

ulating the regular sales force to close all distribution gaps among the larger stores in the test area. By Lawrence M. Hughes. *Sales Management*, March 29, 1930, p. 562:2.

#### How We Select Men

The president of the Jewel Tea Co., Inc., believes that there are three principal phases to organization building: Selection and assimilation of those who make up the whole body of personnel; building the spirit which controls the action of the personnel; and devising methods and system channels through which the routine work of the organization flows. One of the chief functions of an executive head is to make the best of those who make up his organization. Both experienced and inexperienced workers are employed, the former accepted on the basis of past business experience and the latter on educational training and experience. But every man must have the fundamental qualities of character, of personality and industry. Men are preferred who have demonstrated a willingness to work, for instance, college men who have worked their way, partly or entirely, through college.

Personal records are kept of all the men. These records begin with the original judgment of character and ability reported by the personnel department, to which is added a history of progress and accomplishment which show adaptability to particular work. By M. H. Karker as told to D. I. Mirrielees. *Chain Store Age*, April, 1930, p. 29:3.

#### Retailing

##### World-Known Stores and Their Staff Policy

The Galeries Lafayette, Paris, does not insist on any academic qualification from applicants for employment, but sets more value on general intelligence, vigor and goodwill. Every applicant is interviewed by the managing director. No training courses

are given by the firm, but records are kept of the progress and personal history of each employee. Every assistant is medically examined before entering the firm and on return from sick leave, and there is a medical service to which an employee can apply for treatment free of charge. Employees who have been in the service of



the firm for a year are entitled to eight days holiday with pay, while those of a given standing are entitled to a fortnight. The hours of work are from 9 a. m. to 6:40 p. m. There is an hour and ten minutes for lunch, which is provided by the firm, and is free to the employees. There are many social activities supported by the firm, and there is a crèche where babies are cared for while the mothers are at work. Employee suggestions are suitably rewarded. Selling cost is expressed for purposes of control as a percentage of turnover, although the staff is not reduced or augmented in blind obedience to the ratio. *Industrial Welfare & Personnel Management*, March, 1930, p. 94:2.

#### Retailing to Seek Management Type

The next phase of modern retail distribution will be the development of a "reservoir of management brains," says Paul T. Cherington. A few stores have made the development of personnel fitted for management a continuing part of their policy, but most retailers have depended on obtaining a sufficient supply of executive talent as they went along. When found, the problem will be how best to fit this talent into the requirements of the business. *New York Times*, April 6, 1930, p. 22N.

#### How the Formfit Company Operates Sales School for Retail Sales People

The Formfit Company has found that the operation of a sales school for the retail sales people of its dealers makes it possible to train this personnel in the most efficient way to sell their merchandise. The school is conducted under the direction of the home office twice a year in February and July over a three-day period, and has been well attended. The dealer pays all of the expenses of the representative sent to the school, including transportation and living expenses. The curriculum is so arranged that the student gets a very comprehensive idea of the proper methods of selling this prod-

uct, one of the outstanding features being a lecture on anatomy conducted by an eminent authority. Another feature of the course is the attention given to stock control and turnover. The students are shown how to keep a good record that requires a minimum of labor, how to make a physical appraisal, how to make inventory, what stock control means, and how to figure the turnover. Dartnell Sales Data, March 29, 1930. 2 pages.

#### Are Company-Owned Stores the Solution to Over-Production?

While manufacturers and jobbers are rushing into the chain-store business in an experimental effort to find the perfect distribution system the chains themselves recognize that they are even now within easy sight of the saturation point. It would seem then that now is the time for the individual dealer to make his big play. The trouble has been that in the past manufacturers have been working on the dealer too much in the mass. They have been seeking numbers of customers rather than developing individuals. The situation calls for a weeding out process. Rather than demanding more company-owned chain stores it calls for a smaller number of dealers who are actually trained to sell. By G. A. Nichols. *Printers, Ink*, April 10, 1930, p. 17:4.

#### Which Side Will Win Out?

The president of the J. C. Penney Company says that both the chain and independent have a legitimate place in distribution and both will continue, their aims being identical to operate a profitable store and to serve the community. The complaint that chains send money out of the community with all speed is answered by the fact that this is necessary to shorten the time taken to bring merchandise from the factory to the consumer. Each proven store manager in this company has a salary determined by his sales and net profit and a contract for a share of the earnings in the store



he manages. Women associates participate in a bonus system. By Earl C. Sams. *Retail Ledger*, April, 1930, p. 6.

#### **Declares Chain Stores Are Economic Advantage**

One of the chief economies of the chain store system is the division of labor, allow-

ing the merchant to attend strictly to selling, while others trained especially to do so, take care of advertising, window display, bookkeeping and other store operations. The chain store system is an economic development which offers the most effective means to cut the cost of living. By Godfrey M. Lebhar. *Worcester Telegram*, February 27, 1930.

## **Survey of Books for Executives**

**The Economics of Instalment Trading and Hire-Purchase.** By W. F. Crick. Isaac Pitman & Sons, Ltd., London, 1929. 128 pages. \$1.50.

"Now one of the chief difficulties to be faced in the field of economics arises from the fact that it deals with a subject matter not confined to impersonal physical elements. It has to take account of human emotions, interests, passions, and prejudices. It is an intensely human science. On the other hand it must always be remembered that an economist is not necessarily a moralist and that in any case he cannot be both at the same time. It is his duty while giving due weight to all such factors as far as they exert an influence on economic problems and progress, to divest himself of any tendency to moralize on right and wrong and spiritual ill or welfare."

The character of the discussion is abstract. There are few statistics included and even these are accorded little weight. The contrast between this treatment of "Hire-Purchase" and Seligman's "Study of Consumer's Credit" is a reflection of the difference of attitude of England and the United States toward statistics. Where the American economist is inclined to over-value charts, graphs, and tables and to trust these devices to acquaint the reader with the conclusions at which he has arrived, the Britisher either omits this phase of the work entirely or else does it behind the scenes and his presentation is

literary, theoretical, peculiarly British. It is a far more readable presentation than that to which the American public has become accustomed. There can be no doubt as to the volume of work which constitutes the background of Seligman's study; in fact, the reader is required to become a participant in Seligman's labours. W. F. Crick acknowledges that British statistics on this subject are inadequate. "According to the Hire Traders' Protection Association, however, the number of agreements in force is probably somewhere about 16,000,000, while some 4,000,000 new contracts are entered into every year. No attempt has been made, apparently, to estimate the aggregate amount of this kind of business transacted in the course of a year, nor the average amount of debt outstanding from day to day."

In place of tables and facts concerning the extent of Hire-Purchase in British business, Mr. Crick has given an excellent analysis of the nature of instalment credit, a peculiarly incisive discussion of the relation of instalment buying to saving and spending, and a balanced judgment upon the influence of this credit on the standard of living.

The conclusions from this deductive reasoning are not strikingly different from the results attained by Seligman. For the reader who is neither a statistician, an engineer, nor a chartered accountant, the delightfully clear-cut style, the polished

wording and the carefully reasoned conclusions lead to a clear understanding of the fundamental principles involved.

As an introduction to the subject, there is no handbook of more general interest than this "Economics of Instalment Trading". While there is little in the book that can be considered new or strikingly original, it is short, comprehensive and interesting. The reader who desires general information will find careful thought has been given to all the important arguments which have been brought forward, both favourable and unfavourable. A list of these arguments is included in one of the appendices as follows,—

Arguments in favour of the system:

1. It is preferable to a system of long-term open account, or book credit.
2. It facilitates the enjoyment of amenities not otherwise procurable, and thus promotes efficiency.
3. By making possible the purchase of articles with too high an initial cost to be bought generally for cash, it stimulates demand and increases production.
4. It encourages mass production, and the consequent greater output reduces costs and tends towards an improvement in quality. The resultant fall in prices offsets the increased cost to instalment buyers, arising from interest and other charges.
5. Increased production and lower prices raise the standard of living.
6. The instalment system preserves a balance between production and consumption.
7. It protects principal by encouraging purchases out of income instead of out of capital account.
8. It encourages saving, since some of the money paid in meeting instalments on capital goods would otherwise probably be spent on immediate consumption.
9. It promotes hard work, with a view to earning bigger incomes in order to enjoy the amenities made available through the instalment system.
10. The necessity of keeping up instalment payments encourages systematic budgeting in respect of personal incomes.

Arguments against the system:

1. It promotes extravagance, based on the chances of continuing and growing incomes.
2. It leads to business losses due to inability to investigate and supervise personal credit as thoroughly as business credit.
3. Competition has resulted in the extension of the system to articles which depreciate rapidly.
4. The terms are often too lax, and sometimes there is no difference between the cash and instalment prices; thus over-buying is further encouraged and an unfair burden is placed on the cash buyer.
5. Instalment paper in banks constitutes a menace in times of stringency.
6. The system presents prospects of increased trouble in times of business depression.
7. It tends to over-extension of industry to meet an anticipatory demand, and thus encourages overproduction.
8. It is like monetary inflation, and produces a condition which requires for its maintenance more and larger doses of the stimulant.
9. It encourages the production of luxuries as against non-luxury goods.
10. It creates a body of debt that stands for something already consumed, at least in part.

The book is concluded with the following paragraphs. While the American writer may consider the final sentence "defensive," the Englishman is certain to retort that reasoned conclusions must be the result of "abstract thought" rather than the product of statistical analysis.

"We come, then, inevitably to a favourable conclusion. At the same time it is necessary to guard against exaggeration, and we have endeavored to show how the spread of instalment buying is not a

Heaven-sent invention to deliver mankind from poverty and privation, but a useful aid, of quite moderate and limited strength, towards the central objective of economic life, the attainment of a higher and ever higher material standard of living for the great body of men and women, at the cost of a minimum of unpleasant and harmful exertion. We have found the results of instalment buying good, though not so amazingly and unqualifiedly good as to warrant the ecstasies with which some observers have greeted it. We cannot for a moment place it on a parity, for example, with the results of the achievements of the last century or so in the technique of industry, transportation, trade and finance."

"And here we must hand over the subject to the philosophers, for we have been concerned in this study solely with the economic side of the question. There was a time when only philosophers bothered to think about the subject now known as economics, but nowadays division of labor has proceeded so far that very few can claim the titles both of economist and philosopher. Consequently we must not attempt to trespass on the province of another trade, but must leave the morals of the matter to be dealt with by the appropriate experts. One thing, however, certainly requires to be said. No one but an expert would venture to express even a tentative opinion on an abstruse question of medicine or engineering. Yet many people are prepared, with little or no preliminary training, to express most dogmatic views on economic questions, just because the questions touch them—or seem to—very closely. And in formulating these views they usually inject into their opinions a large dose of moral considerations. The consequence is that on this particular topic of instalment buying all sorts of errors are committed as a result of moralizing on supposedly "typical" individual cases. Such instances, as a general rule, are observed only because of their unusual features or results, just as only the most bizarre of murder cases and the most

intriguing of libel suits are reported at length in the papers. In reality they supply no valid or sufficient evidence for general deductions. It is for the economist to stand back and take a general view, and for the philosopher as well to do likewise. Only then can sound opinions be developed as to the desirability or the opposite of this or any other development in modern business life. It becomes more and more obvious that there is need of hard, abstract thinking, and careful, patient inquiry in order to reap the full benefits and avoid the dangers of the instalment system, and to make the best possible use of accumulating evidence and experience.

DONALD M. MARVIN, *Economist,*  
*The Royal Bank of Canada.*

**The Labor Banking Movement in the United States.** By the Industrial Relations Section, Princeton University. Princeton University Press, Princeton, N. J., 1929. 377 pages. \$2.50.

This book is an objective scientific survey of the origin, growth, purposes, methods of organization, policies and problems, together with an evaluation of the success or failure from both a labor and a banking point of view, of the labor banking movement in the United States, beginning with the events leading up to the establishment of the first bank in May, 1920, through to August, 1929. There is a valuable appendix giving a statistical summary of the labor banking movement, a comprehensive classified bibliographical list of references and a well arranged index to subject matter. For students, bankers and labor union representatives it furnishes much needed information based upon a careful analysis of actual experience of approximately 36 banks with which labor in one form or another has been identified.

Innumerable books have been written on banking covering organization, policies, methods and the like. If this book covered the same ground it would be of little additional value to those already in the reference library. It endeavors, however, to



give just what reasons and purposes inspired the labor organizations to enter the field of banking, what unique features, if any, distinguish labor banks from the regular commercial capitalistic model and to evaluate the success or failure from both a banking and a labor point of view.

With the rather spectacular expansion and development of the Brotherhood of Engineers chain of banks under Warren S. Stone with his flair for publicity, up to the time of the collapse of this chain, there was not only a very real live interest in labor banks but a hope on the part of sympathizers with the movement that they would be the basis for a new line-up of relations between capital and labor. On the one hand enthusiasts saw in them the social medium of labor's control of its own destiny, a democratization of banking and credits and a powerful weapon for organized labor to promote and extend its control of industry in the interest of the labor group. Old time, seasoned, experienced bankers, watched the movement with skepticism combined with suspicion and open hostility, biding their time, sure in their traditional experience, that eventually labor banks would necessarily have to follow sound recognized banking principles if they were to succeed.

Labor banks growing out of the large treasuries built up by the unions through their most successful years during the war period, were according to their proponents to secure for the members of organized labor in addition to the opportunity for a profitable investment of their funds, special advantages not to be secured through the regularly established banking structure of the country. What were these special advantages? As promised they were (1) The promotion and protection of the interests of organized labor from the assaults of open-shop employers in cooperation with bankers sympathetic to the open shop; (2) The financial assistance to employers friendly to organized labor in time of need; (3) The strengthening of loyalty of union members to the

labor movement through especial services to its members; (4) The building up of prestige for the labor movement through practical working examples showing labor's capacity to operate banking institutions successfully.

After a careful analysis of the labor banking movement the survey comes to the conclusion that the achievement of the labor banking movement in accomplishing any of these objectives has been not only negligible but in some cases even harmful to the labor movement itself. In practice it is shown that perhaps with one exception, the Bank of the Amalgamated Clothing Workers both in New York and Chicago, the labor banks have gone the course predicted by the skeptical conservative old line bankers. Those that have survived have abandoned in practice features which distinguished them as labor banks. Serious have been the difficulties experienced by many of the labor banks to disentangle themselves from the activities of labor politics in the selection of high grade personnel. To survive, most of the remaining banks have had to go outside of the ranks of organized labor to secure depositors. On the whole they have merged into the general banking structure adopting its standards and, except in name, are the same as other old line banks.

The two most significant sections of the book are Chapters IX "The Success of the Movement (Banking Standpoint)" and X "The Success of the Movement (Labor Standpoint)."

F. A. SILCOX, *Director,*  
*Bureau of Industrial Relations,*  
*New York Employing Printers*  
*Association, Inc.*

#### **Unemployment Insurance in Germany.**

By Mollie Ray Carroll. Brookings Institution, Washington, D. C., 1929. 137 pages. \$2.00.

Germany, the originator of many forms of social insurance, has recently developed a new system of unemployment insurance which has had an enormous growth. That



the impoverished republic should add thus to the insurance already carried indicates how great the need was. The difficulties of providing work for the demobilized soldiers and war workers ten years ago had resulted in alarmingly large expenditures for their relief. At the time the currency was stabilized in 1924 close on one and one-half million people were out of work. All possible efforts to give employment were made, public works were opened, and when all efforts failed, in many cases financial assistance was given.

It was clear that a new basis for financing unemployment assistance was urgently needed. Consequently the whole question was reexamined with German thoroughness and an entirely new scheme evolved. Germany borrowed and adapted from other countries and had, of course, learned much through her own experience. As in all other German social insurance, major emphasis was laid on prevention, and whenever possible employment is provided in place of benefits.

A full account of the law and its operation during the first years is given in Miss Carroll's interesting volume which is based on intensive studies during her recent stay in Germany as a fellow of the Guggenheim Foundation. She takes us through the preliminary stage till the new act was passed in 1927, covering the whole Reich and providing funds through compulsory contributions of 3 percent of wages shared equally by employers and workers. Exemption from insurance is allowed only in a few occupations so that a large proportion of the workers earning less than \$1,500 a year are covered. But persons are eligible only if they have, during the year, worked twenty-six weeks in an insured occupation.

When the insured worker loses his job he reports to an employment exchange, producing a statement from his last employer as to his occupation, wages for the last three months, and reason for discharge. He must report every other day to see whether any job has been found for him and if not,

he can draw benefits for his second week of unemployment. If he lost his job through his own fault or refused work offered, he must report regularly, but cannot draw benefits for four weeks. Employment may be given him on public works or after receiving benefits for nine weeks he may be required to accept a position outside his trade. If all efforts to secure work are fruitless, he may draw benefits for twenty-six weeks. Thereafter upon proof that his income is inadequate, he may secure "emergency employment allowances," up to thirty-nine weeks.

The amount of the benefit is a fixed percentage of the average weekly wage received during the preceding three months. Wages are grouped in eleven classes and a representative or mean wage is set for each class. The percentage paid runs from 75 percent for the lowest paid group, to 35 percent for the highest paid group. In addition there are family allowances according to the number of dependents.

In the months of greatest need of the first year, benefits were paid to 2.2 percent of the total population. As was to be expected the largest item, namely 65 percent of the total expenditures of \$275,000,000, was paid in standard benefits to the workers. 13 percent was used for persons who had exhausted their standard claims or had worked less than 26 weeks in a year. 7½ percent was given for administration and finding jobs for the unemployed and giving vocational guidance. Also, as an essential part of the plan 3½ percent were used for preventive measures, and finally, 11 percent was spent on public works.

Of these items, the sum used for emergency relief created special concern among persons interested in the financial soundness of the scheme. It has proved difficult, however, to reduce this relief, which was originally created to meet the crisis of 1926, and is now continued under the Act.

Miss Carroll gives figures to show that during the summer months of the first two years the charges were carried by the regular rates and the reserve fund was

built up. But by December 1st, in both years, large amounts had to be borrowed from the Reich's treasury. In 1929, weather of almost unheard of severity cut down industrial operations generally with the result that three million people applied for work and a large proportion received some form of benefit. This special drain on the funds put a severe test on the whole system, and it is remarkable that it weathered the storm as well as it did, maintaining also its efficiency as an employment bureau. It is true that \$35,000,000 had to be borrowed from the national treasury, but it should be remembered that a substantial part of total expenditures are used for public works, some of which are themselves income-producing.

According to Miss Carroll one very important change has been made to reduce expenditures. The Act was intended chiefly for persons whose unemployment was infrequent and of short duration; in practice, however, the funds were largely used for regularly recurring idleness. To meet this situation the law was changed in 1928 allowing seasonal workers to draw benefits during the slack season only for six weeks.

Another obvious way of enlarging the fund would be to increase industry's contribution, but as it was originally estimated that the 3 percent levy would meet current expenses and care for the reserve, any change in the rates is strongly opposed and improvement will probably have to be sought along other lines.

Miss Carroll's book is necessarily limited to describing the details of the German system and some of its inherent difficulties, so that little time can be given to more fundamental aspects of the problem. She reports little evidence of abuse and states that the semi-independent character of the administration and also the fact that the Board is made up of definite economic groups does much to obviate political influence.

She explains also that the Germans recognize the limitations of the system. The exchanges cannot create a sufficient number of positions for all who apply under the

abnormal market conditions now existing in the country, but they can eliminate much of the waste due to lack of placement machinery. Unemployment insurance can obviously not cope with the developments necessary to establish more home markets and more extensive foreign trade. These are needs which only a change in economic conditions can remedy.

It is perhaps outside the scope of Miss Carroll's book to discuss how largely unemployment insurance figures in the program of one of the chief political parties in Germany, and how the so-called loans from the Reich's treasury are really a levy upon capital without giving them this name.

In considering the book as a whole, it is a little disappointing that more is not said of the system as an intelligently administered relief agency, especially since Miss Carroll has dealt so comprehensively with the outstanding contribution of the scheme, namely, the special technique for dovetailing together workers and jobs.

PAULINE GOLDMARK,  
*Benefit and Medical Department,  
American Telephone and Telegraph  
Company.*

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**The Five-Day Week in Manufacturing Industries.** National Industrial Conference Board, Inc., New York, 1929. 69 pages. \$1.50.

Considerable publicity is being given to the five-day week as a basis of plant operation or of employee working schedules, although, as this study shows, its extent is insignificant in comparison with the field of industrial operation as a whole. A list of representative companies operating on a regular five-day work week is given, and chapters are devoted to: the trend toward shorter working hours; the scope of the five-day week movement; the technique of the five-day week schedule; experience with five-day week operation; variations of the five-day week; and a general summary of

the problems involved in and the effects on operating efficiency of the five-day week plan.

**Planned Marketing.** By Vergil D. Reed. Ronald Press, New York, 1929. 346 pages. \$5.00.

In his introduction to the excellent volume "Planned Marketing," Dr. Paul H. Nystrom of Columbia University says, "In fact, it is veritably an encyclopedic treatment of this important subject." Though one may not agree with Dr. Nystrom as to the complete scope of this book, he must at least recognize it as a comprehensive guide to, or handbook on, this all important subject of marketing.

This book will at once attract the interest of executives by actual cases of business ills and the corrective cures presented therefor. The problems are none the less real for the use of fictitious names. There follows a complete analysis of the subject of marketing in its broadest sense from the study of the company and its setting, the economic justification of the company, through products, market surveys, policy building, budgets and quotas, records and forms, advertising, marketing trends as well as constructive suggestions for the improvement of products and the discovery of new uses for old ones.

The work is well thought out and shows a painstaking and careful arrangement of a wealth of data and experience. We must, of course, forgive Mr. Reed for his prejudice and enthusiasm for the advertising agency and the "marketing specialist from the outside." The chapter on "The Product" is a thorough guide to any manufacturer for analysing and scrutinizing his own product. Obviously, constructive introspection is the first step in facing squarely the problem of diminishing sales and increasing selling costs.

"The Market" is dealt with comprehensively, and the warning is sounded to the small manufacturer against "going national too soon" by the following: "Some

manufacturers are not prepared for national distribution. Others who have thinly spread national distribution might make greater profits by concentrating effort in a more restricted area. Few, if any, are in a position to reach profitably all available markets. Territorial limits for the market to be cultivated should be definitely set. In starting a new company with a new product a logical course is that of gradually extending distribution as sectional coverage is made effective."

In these days with a tendency to accept men as sales managers who are primarily students and analytical thinkers instead of the "senior salesman," the following is significant: "Volumes have been written on this phase of distribution alone. The value of a capable sales manager who is willing to co-operate in the gradual building and execution of a marketing plan is enormous. He should be a man of executive ability rather than of the salesman type."

Part III dealing with "The Market Survey" should particularly interest the sales executive and the sales research staff. This subject is admirably treated in several chapters, from the planning of the survey to the preparation of the final report. The internal condition is studied in detail and a working outline that could be applied to almost any business is given for each of the following subjects: The Company, the Product, the Market, Distribution and Advertising. There then follows a complete, though general presentation of the sources now available for the preparation of a preliminary study of the business with relation to its market. The field survey follows with examples of questionnaires and methods of tabulating the results. This is difficult to treat broadly as the technique will vary with the case under consideration, and Mr. Reed wisely adheres to a letter perfect example leaving the method and technique for the manufacturer to work out for his own case.

The determination of policies, budgets and quotas, records and forms are handled



with the same adherence to details as that used in other specific cases from which the reader can readily generalize and then specialize again to meet his own needs. Advertising is given a worthy place and its relation to the whole plan clearly set forth.

The book closes with a very keen observance of present practices, and there are some very stimulating suggestions concerning the improvement of old products to meet new conditions, and of finding new uses for old items in the line. One of the things that makes the book particularly readable is the way the author adapts his style to the subject matter, namely by being technical when dealing with methods, and otherwise using the vernacular of business. The book is deserving of the careful study of chief executives, sales executives, and students of marketing generally; and Mr. Reed is to be congratulated upon his outstanding contribution to the many, though limited efforts in recent years to explain and master the complex problem of the distribution of goods.

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**Vocational Psychology and Character Analysis.** By H. L. Hollingworth. Appleton, New York, 1929. 409 pages. \$3.00.

Those who are engaged in the various phases of personnel, employment and guidance fields have been indebted to Professor Hollingworth for years for his plain and unbiased presentations of the relations of psychology to these fields. *Vocational Psychology and Character Analysis* is in a sense a review of several of these former works but does take us a good step further in a survey of the progress that has been made in approaching the inventory of human abilities from a scientific point of view.

One would be inclined to wish that so much space had not been given to ancient

history, especially phrenology and character analysis by facial characteristics if it were not evident daily that these forms of fortune telling continued to influence supposedly intelligent people. The author does, however, go rather quickly to discuss the present status of investigations centering on such highly important factors to industry as the letter of application, the photograph, the interview and the recommendation. *Niter dicta* is forthcoming on any of these but we are informed as to how much has been done in evaluating these common forms of employment procedure and where the various investigations of them seem to lead. Those interested in vocational guidance will also find an intelligent discussion of self-analysis.

The latter half of the book covers the various types and forms of general and special testing which seem to have a bearing on vocational choice and selection. Those who have turned from physiognomy to testing, as a panacea, with equal enthusiasm, will doubtless also be disappointed but, assuming in the main, that behavior is the thing which we must measure in attempting to estimate capacity for adaptability to work, Professor Hollingworth outlines rather comprehensively within the space allowed the progress that has been made since the war both in general intelligence tests and those for special abilities.

He concludes with a special chapter on the status of women in work and has added both laboratory exercises for special work and a carefully selected bibliography.

The whole book is readable, unbiased and worthy of careful study by anyone in the personnel, employment or guidance field who feels that it is desirable or necessary to keep up with developments but hasn't the time to review even cursorily the considerable volume of material which is now coming out on the manifold sides of this subject.

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